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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JOHN A. ROGERS

**UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI**

FILE NO. ER-2011-0028

*Jefferson City, Missouri
March 2011*

Staff Exhibit No. 221
Date 4/26/11 Reporter JMB
File No. ER-2011-0028

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**


In the Matter of Union Electric Company)
d/b/a AmerenUE's Tariff to Increase Its)
Annual Revenues for Electric Service)

File No. ER-2011-0028

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)


John A. Rogers, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 17 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



John A. Rogers

Subscribed and sworn to before me this 24th day of March, 2011.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086



Notary Public

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OF

JOHN A. ROGERS

**UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI**

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2 | **OF**

3 | **JOHN A. ROGERS**

4 | **UNION ELECTRIC COMPANY**
5 | **d/b/a AMEREN MISSOURI**

6 | **FILE NO. ER-2011-0028**

7 | Q. Please state your name and business address.
8 |

9 | A. My name is John A. Rogers, and my business address is Missouri Public
10 | Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.
11 |

12 | Q. What is your present position at the Missouri Public Service Commission?
13 |

14 | A. I am a Utility Regulatory Manager in the Energy Department of the Utility
15 | Operations Division.
16 |

17 | Q. Are you the same John A. Rogers that contributed to Staff's Revenue
18 | Requirement Cost of Service Report ("COS Report") filed on February 4, 2011?
19 |

20 | A. Yes, I am.

21 | Q. Would you please summarize the purpose of your rebuttal testimony?
22 |

23 | A. I address certain direct testimony of Union Electric Company d/b/a Ameren
24 | Missouri ("Ameren Missouri" or "Company") witness, William R. Davis, related to: a)
25 | Ameren Missouri's request to change the amortization period for its demand-side
26 | management ("DSM") programs cost recovery mechanism from six years to three years; b)
27 | Ameren Missouri's request for approval of a fixed cost recovery mechanism ("FCRM"); and
28 | c) Ameren Missouri's overall strategy to align its financial incentives with helping its
29 | customers use energy more efficiently. I also provide an update on Staff's review of Ameren
Missouri's Residential Lighting and Appliance demand-side program ("L&A"). Finally, I

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1 | express Staff's overall agreement with the direct testimony of Michael L. Brosch on behalf of
2 | Missouri Industrial Energy Consumers ("MIEC"), regarding Ameren Missouri's request for
3 | recovery of lost revenues caused by the DSM programs' energy savings between rate case test
4 | years. On these issues Staff makes the following recommendations in this case:

5 | 1. That the Commission not change Ameren Missouri's current DSM cost
6 | recovery mechanism from its current six-year amortization to a three-year
7 | amortization, because approval of Ameren Missouri's request will not create the
8 | necessary financial incentives for the Company to comply with the Missouri Energy
9 | Efficiency Investment Act of 2009 ("MEEIA"), Section 393.1075, RSMo, Supp. 2009;

10 | 2. That the Commission not approve the FCRM proposed by Ameren
11 | Missouri, because: a) the FCRM proposed by Ameren Missouri is a lost revenue
12 | recovery mechanism, which is inconsistent with the provisions for a utility lost
13 | revenue component of a demand-side programs investment mechanism ("DSIM")
14 | included within the Commission's recently-approved MEEIA rules; b) approval of the
15 | proposed FCRM will not create the necessary financial incentives for Ameren
16 | Missouri to comply with MEEIA; c) the proposed FCRM does not remove the
17 | Company's throughput incentive; and d) the Company has not requested Commission
18 | approval of its demand-side programs under MEEIA, a condition for receiving a
19 | Commission-approved DSIM;

20 | 3. That the Commission encourage Ameren Missouri to pursue a
21 | comprehensive strategy to align its financial incentives with helping its customers use
22 | energy more efficiently. The Company should focus its attention on working with its
23 | stakeholders to achieve by September 1, 2011, the filing of applications for approval

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1 of its realistic achievable potential (“RAP”) demand-side programs (described in
2 Ameren Missouri’s recently filed Chapter 22 Electric Utility Resource Planning
3 compliance filing in File No. EO-2011-0271(“Chapter 22 compliance filing”))¹ and for
4 approval of a DSIM under the soon-to-be-effective MEEIA rules or, should MEEIA
5 rules not be effective, under 393.1075, RSMo, Supp. 2009; and

6 4. That all expenses for the Ameren Missouri L&A remain in the DSM
7 regulatory asset, pending Staff’s review of the evaluation, measurement and
8 verification (“EMV”) report for the L&A.

9 **Response to Ameren Missouri Testimony**

10 **DSM Cost Recovery**

11 Q. Do you agree with the following direct testimony of Mr. Davis on page 4, line
12 20 through page 5, line 2?

13 In contrast, if DSM program expenses are capitalized, the regulatory
14 asset continues to grow over time creating a “bubble” of costs being
15 pushed through time. The longer the amortization period, the larger the
16 bubble will grow, as annual DSM expenditures continue to exceed the
17 amount recovered through the amortization.

18 A. Yes.

19 Q. Do you agree with the following direct testimony of Mr. Davis on page 5, lines
20 10 through 19?

21 AmerenUE is proposing that the balance of the DSM regulatory asset
22 as of the end of the true-up period for this case, which includes all
23 related program costs and interest accrued at the Company’s AFUDC
24 rate, be included in rate base and amortized over three years. ... As
25 indicated in the direct testimony of AmerenUE witness Warner L.

¹ Staff references Ameren Missouri’s Chapter 22 Electric Utility Resource Planning compliance filing in File No. EO-2011-0271 in this rebuttal testimony. Staff has not finished its review of Ameren Missouri’s filing and mention of the filing in this testimony does not mean that Staff will find that Ameren Missouri’s filing has no deficiencies.

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1 Baxter, this request for a change in the period over which accumulated
2 DSM costs are amortized is an important interim step toward a
3 comprehensive DSM cost recovery mechanism that fully aligns utility
4 financial incentive with the goal of educating and supporting customers
5 as they seek to use energy more efficiently.

6 A. No.

7 Q. Why not?

8 A. Taking such an interim step towards a comprehensive DSM cost recovery
9 mechanism (three-year amortization of all DSM costs) will not create the necessary financial
10 incentives for Ameren Missouri to comply with MEEIA and result in Ameren Missouri
11 placing a high priority on pursuing a statutory goal of achieving all cost-effective demand-
12 side savings². Even Ameren Missouri's recent Chapter 22 compliance filing supports this
13 conclusion. The Company's adopted preferred resource plan in its Chapter 22 compliance
14 filing includes "low-risk" demand-side resources at an annual expenditure level of
15 approximately \$20 million each year over the 20-year planning horizon under current
16 regulatory treatment for demand-side resources. This annual spending level represents a
17 significant decrease from the Company's 2010 expenditure of \$28 million³ for its DSM
18 programs.

19 Q. Does Ameren Missouri intend to reduce the level of DSM expenditures and
20 DSM savings should it receive approval of its DSM cost recovery mechanism in this case, and
21 please explain your answer?

22 A. Yes. In its data request number MPSC 0404, Staff asked: "If Ameren
23 Missouri is granted the DSM Cost Recovery requested by Ameren Missouri in this rate case,

² 393.1075, Section 4, RSMo: "The commission shall permit electric corporations to implement commission-approved demand-side programs proposed pursuant to this section with a goal of achieving all cost-effective demand-side saving."

³ Ameren Missouri's response to Staff data request MPSC 0352 in File No. ER-2011-0028.

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1 | what level of DSM as described in its resource plan filing in File No. EO-2011-0271 would
2 | Ameren Missouri implement?" Mr. Davis responded: "If Ameren Missouri is granted the
3 | DSM cost recovery requested by Ameren Missouri in its direct case of this proceeding,
4 | Ameren Missouri would implement the Low Risk portfolio as described in its resource plan in
5 | File No. EO-2011-0271."

6 | Q. Does Ameren Missouri have a contingency plan in its Chapter 22 compliance
7 | filing to help the Company better achieve a statutory goal of all cost-effective demand-side
8 | savings and, therefore, to comply with MEEIA?

9 | A. Yes. In fact, Ameren Missouri's adopted resource acquisition strategy
10 | includes several contingency resource plans which will better enable the Company to comply
11 | with MEEIA should the Company file for and receive approval of a DSIM under MEEIA⁴.
12 | These contingency plans each include a more aggressive implementation of demand-side
13 | resources defined in the RAP DSM portfolio. The RAP DSM portfolio calls for annual DSM
14 | spending levels to increase annually to approximately \$75 million in 2015, and to
15 | approximately \$100 million annually during 2018 to 2030, and which are expected to achieve
16 | significantly higher levels of energy savings and demand savings when compared to the "low-
17 | risk" DSM portfolio⁵.

18 | Ameren Missouri's adopted resource acquisition strategy indicates that if aggressive
19 | environmental regulations are enacted in the near term, implementation of the RAP DSM
20 | portfolio is expected to allow retirement of the 839 MW Meramec generating station without

⁴ File No. EO-2011-0271, February 23, 2011 Electric Utility Resource Filing of Union Electric Company d/b/a Ameren Missouri (NP and HC), Chapter 1 - Executive Summary, Figure 1.15 Decision Roadmap on page 21.

⁵ File No. EO-2011-0271, February 23, 2011, Electric Utility Resource Filing of Union Electric Company d/b/a Ameren Missouri (NP and HC), Chapter 1 - Executive Summary, Figures 1.2 Annual Budgets and Figure 1.3 Annual Saving on page 8, and Chapter 7 - Demand-Side Resource, Figure 7.39 Cumulative EE Savings (Peak MW) on page 119 and Figure 7.40 Cumulative DR Savings (Peak MW) on page 120.

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1 the addition of any supply-side resources during the 20-year planning horizon of Ameren
2 Missouri's Chapter 22 compliance filing⁶.

3 Q. What is Staff's recommendation concerning the Company's request to change
4 the amortization of its DSM cost recovery mechanism?

5 A. Staff does not agree that "the balance of the DSM regulatory asset as of the end
6 of the true-up period for this case, which includes all related program costs and interest
7 accrued at the Company's AFUDC rate, be included in rate base and amortized over three
8 years." Staff recommends that the Commission not change Ameren Missouri's current DSM
9 cost recovery mechanism from its current six-year amortization period to a three-year
10 amortization period, because approval of Ameren Missouri's request will not create the
11 necessary financial incentives for Ameren Missouri to comply with MEEIA.

12 Later in this rebuttal testimony, I will discuss Staff's recommendation that Ameren
13 Missouri initiate actions to pursue a comprehensive strategy to align its financial incentives
14 with helping its customers use energy more efficiently by filing no later than September 1,
15 2011, applications for approval of its RAP demand-side programs and for approval of a DSIM
16 under the soon-to-be-effective MEEIA rules or, should MEEIA rules not be effective, under
17 393.1075, RSMo, Supp. 2009.

18 **Fixed Cost Recovery Mechanism**

19 Q. Please describe the FCRM proposed by Ameren Missouri.

20 A. Mr. Davis describes the Company's requested FCRM on page 8, lines 9
21 through 24 of his direct testimony:

⁶ File No. EO-2011-0271, February 23, 2011 Electric Utility Resource Filing of Union Electric Company d/b/a Ameren Missouri (NP and HC), Chapter 1 - Executive Summary, Resource Acquisition Strategy - Decision Roadmap on pages 21 - 22.

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1 Utility lost revenue component of a DSIM means the methodology
2 approved by the commission in a utility's filing for demand-side
3 program approval to allow the utility to receive recovery of lost
4 revenue.

5 The definition of lost revenue in the Commission's MEEIA rules is generally
6 consistent with the definition of lost revenue in The National Action Plan for Energy
7 Efficiency⁷ ("NAPEE"): "Lost revenue means the reduction in revenue that occurs when
8 energy efficiency programs cause a drop in sales below the levels used to set the electricity or
9 gas price. There generally also is a reduction in cost as sales decline, although this reduction
10 is often less than revenue loss."

11 Consistent with the NAPEE definition of lost revenue, the MEEIA rules allow the
12 utility to recover lost revenue only when and to the extent that energy efficiency programs
13 cause a drop in sales below the levels used to set the electricity prices. In contrast, Ameren
14 Missouri's FCRM, "seeks to recover fixed costs that the utility would normally expect to
15 recover through the sale of energy absent the implementation of energy efficiency programs."
16 The Commission should not approve the FCRM, since it is inconsistent with the
17 Commission's MEEIA rules and would allow Ameren Missouri to recover all lost revenue
18 resulting from demand-side savings even in the event the Company's retail energy sales are
19 growing.

20 If a FCRM is approved by the Commission in this case, it should not conflict with the
21 MEEIA rules.

22 Q. Was Ameren Missouri aware of the Commission's intent regarding lost
23 revenues when it filed its direct testimony?

⁷ The National Action Plan for Energy Efficiency, 2007. *Aligning Utility Incentives with Investment in Energy Efficiency: A Resource of the National Action Plan for Energy Efficiency*. Washington, DC: National Action Plan for Energy Efficiency.

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1 A. Ameren Missouri should have been aware of the requirements contained in the
2 MEEIA rules pertaining to DSM program approval, EMV and lost revenue recovery. The
3 Company filed Mr. Davis' direct testimony, including a proposal for the FCRM, on
4 September 3, 2010. The Commission requested that lost revenue language be added to the
5 draft MEEIA rules at the August 4, 2010 agenda meeting, and this draft language was
6 subsequently circulated to stakeholders, including Mr. Davis and others at Ameren Missouri,
7 for comment on August 12, 2010, before it was included in the proposed rule.

8 Q. What is Staff's second concern with Ameren Missouri's proposed FCRM?

9 A. Staff is concerned that the proposed FCRM, "neutralizes the impact of the
10 throughput incentive" (direct testimony of Mr. Davis on page 3, lines 11 through 13) and
11 "should be implemented to level the playing field between supply-side and demand-side
12 resources" (direct testimony of Mr. Davis on page 10, lines 7 through 9). However, Ameren
13 Missouri is clearly not interested in tipping the playing field in the direction of demand-side
14 resources when it states: "Any performance-related incentives that might be proposed in the
15 future should serve to further encourage utilities to be more aggressive in the pursuit of
16 energy efficiency. AmerenUE is not proposing any such incentives at this time." (direct
17 testimony of Mr. Davis on page 10, lines 9 through 11). Staff is concerned that even if the
18 proposed FCRM is approved, or is approved with modifications, such actions by the
19 Commission will not create the necessary financial incentives for Ameren Missouri to comply
20 with MEEIA and to actively pursue a statutory goal of achieving all cost-effective demand-
21 side savings.

22 Q. What is Staff's third concern with Ameren Missouri's proposed FCRM?

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1 A. The proposed FCRM will not incent Ameren Missouri to increase its level of
2 cost-effective demand-side savings to achieve a statutory goal of all cost-effective demand-
3 side savings. Mr. Davis leaves little doubt concerning this issue as a result of his direct
4 testimony at page 10, lines 12 through 14:

5 Q. Does AmerenUE's proposal eliminate the throughput incentive?
6

7 A. No, however AmerenUE believes the proposal is sufficient to
8 support the continuation of current levels of energy efficiency
9 expenditures.

10 Q. What is Staff's fourth concern with Ameren Missouri's proposed FCRM?

11 A. Staff is concerned that Ameren Missouri has not requested and has not
12 received approval of its DSM programs as required by 393.1075 Section 4, RSMo, Supp.
13 2009:

14 The commission shall permit electric corporations to implement
15 commission-approved demand-side programs proposed pursuant to this
16 section with a goal of achieving all cost-effective demand-side saving.
17 Recovery for such programs shall not be permitted unless the programs
18 are approved by the commission, result in energy or demand savings
19 and are beneficial to all customers in the customer class in which the
20 programs are proposed, regardless of whether the programs are utilized
21 by all customers.

22 Also, the soon-to-be-effective MEEIA rules (4 CSR 240-3.164 Electric Utility
23 Demand-Side Programs Filing and Submission Requirements and 4 CSR 240-20.094
24 Demand-Side Programs) provide requirements for DSM programs' review and approval by
25 the Commission. Further, DSM program approval under 4 CSR 240-20.094 is a condition for
26 approval of a DSIM under 4 CSR 240-20.093:

27 (F) The commission shall approve any cost recovery component of a
28 DSIM simultaneously with the programs approved in accordance with
29 4 CSR 240-20.094 Demand-Side Programs.
30

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1 (G)2. The commission shall order any utility lost revenue component
2 of a DSIM simultaneously with the programs approved in accordance
3 with 4 CSR 240-20.094 Demand-Side Programs.
4

5 (H)2. The commission shall order any utility incentive component of a
6 DSIM simultaneously with the programs approved in accordance with
7 4 CSR 240-20.094 Demand-Side Programs.

8 Q. Does the Staff have a recommendation which would alleviate its concerns for
9 the proposed FCRM?

10 A. Yes. Staff recommends that the Commission not approve the FCRM and that
11 the Commission encourage Ameren Missouri to actively pursue a strategy to align Ameren
12 Missouri's financial incentives with helping its customers use energy more efficiently through
13 its compliance with MEEIA in a separate case before the Commission.

14 **Strategy to Align Ameren Missouri's Financial Incentives with Helping Its Customers**
15 **Use Energy More Efficiently Through Its Compliance with MEEIA**

16 Q. Does Mr. Davis propose a comprehensive strategy to align Ameren Missouri's
17 financial incentives with helping its customers use energy more efficiently?

18 A. No. Mr. Davis characterizes his proposal for a change in the Company's DSM
19 cost recovery mechanism and for approval of a FCRM as an, "interim step toward a
20 comprehensive DSM cost recovery mechanism that fully aligns utility financial incentives
21 with the goal of educating and supporting customers as they seek to use energy more
22 efficiently." Staff believes such an interim step will neither provide the necessary financial
23 incentives for Ameren Missouri to comply with MEEIA nor to actively pursue a statutory
24 goal of achieving all cost-effective demand-side savings. This interim step will result in an
25 enhancement to the Company's current DSM cost recovery mechanism and provide
26 "guaranteed" recovery of lost revenue due to energy savings from DSM programs, while at

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1 the same time the Company is stating publicly that it will be reducing the level it plans to
2 spend on DSM programs from \$25 million to only \$20 million annually⁸.

3 Q. Does Staff have a proposed strategy to align Ameren Missouri's financial
4 incentives with helping customers use energy more efficiently?

5 A. As previously discussed in Staff's COS Report on page 42, line 10 through
6 page 43 line 1:

7 Staff would like to point out the significant scheduling opportunity that
8 Ameren Missouri has in 2011 related to approval of DSM programs
9 and approval of demand-side programs investment mechanism
10 ("DSIM") under the soon-to-be-effective MEEIA rules. The Company
11 will file on February 23, 2011 its Chapter 22 compliance filing, and
12 Staff, OPC and interveners are expected to submit their reports by June
13 23, 2011. It is also expected that MEEIA rules will be effective in June
14 2011. If MEEIA rules are effect in June 2011, and if Ameren Missouri
15 files its applications for approval of DSM programs and for approval of
16 a DSIM by the end of June 2011, Ameren Missouri could have
17 approved DSM programs and an approved DSIM under MEEIA rules
18 by the end of October 2011. Staff also notes that Ameren Missouri's
19 current DSM programs' tariffs all expire on September 30, 2011 unless
20 extended. The following chart summarizes the above discussion and
21 illustrates the significant scheduling opportunity for Ameren Missouri
22 in 2011.

⁸ "Politics, profit cut energy savings Ameren Missouri trims its efficiency funding, as conservation efforts bite into utility's bottom line", St. Louis Post-Dispatch article dated February 25, 2010

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Optimum Schedule for Ameren Missouri's Approval of DSM Programs and DSM Under MEEIA Rules

	2010				2011													
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.		
ER-2011-0028 Rate Case	Filed 9/3/10				Operation of law date 8/3/11													
4 CSR 240-22 IRP Case					File 2/23/11			Reports 6/23/11										
MEEIA Rules										June effective date expected								
4 CSR 240-20.093 Case											File DSM		Order					
4 CSR 240-20.094 Case											File Programs		Order					
Current DSM Tariffs	Term for all current DSM tariffs is 9/30/11																	

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Q. What is the status of the MEEIA rules?

A. The Commission's final orders of rulemaking in File No. EX-2010-0368 are dated February 9, 2011. The final MEEIA rules consisting of 4 CSR 240-3.163, 4 CSR 240-3.164, 4 CSR 240-20.093 and 4 CSR 240-20.094 were recently filed with the Office of Secretary of State and are expected to be effective in June 2011.

Q. Are effective MEEIA rules necessary for the Company to comply with MEEIA and to achieve a statutory goal of achieving all cost-effective demand-side savings?

A. No.

Q. Please explain your last answer.

A. The MEEIA was established in Senate Bill 376 and became law in 393.1075, RSMo, Supp. 2009 on August 28, 2009. With the enactment of MEEIA, the State of Missouri has declared and directed the following:

3. It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent cost of delivering cost-effective demand-side programs. ...

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1 4. The Commission shall permit electric corporations to implement
2 Commission-approved demand-side programs proposed pursuant to
3 MEEIA with a goal of achieving all cost-effective demand-side savings.
4 ...

5 11. The commission shall provide oversight and may adopt rules and
6 procedures and approve corporation-specific settlements and tariff
7 provisions, independent evaluation of demand-side programs, as
8 necessary to ensure that electric corporations can achieve the goals of
9 this section. [emphasis added]

10 Section 11 of MEEIA is clear that the Commission *may* adopt rules and procedures,
11 but that it is not required to do so, and may approve corporation-specific settlements and tariff
12 provisions, independent evaluation of demand-side programs, as necessary, to ensure that
13 electric corporations can achieve the goals of this section.

14 Q. Does Staff have a recommendation in this case regarding a strategy for
15 Ameren Missouri to align its financial incentives with helping customers use energy more
16 efficiently?

17 A. Staff recommends that the Commission encourage Ameren Missouri to pursue
18 a comprehensive strategy to align its financial incentives with helping its customers use
19 energy more efficiently by focusing its attention on working with its stakeholders to achieve a
20 filing by September 1, 2011, of applications for approval of its RAP demand-side programs
21 and for approval of a DSIM under the soon-to-be-effective MEEIA rules or, should MEEIA
22 rules not be effective, under Section 393.1075, RSMo, Supp. 2009.

23 Q. Please explain what Staff means by a comprehensive strategy to align financial
24 incentives with helping customers use energy more efficiently under MEEIA rules or under
25 MEEIA legislation.

26 A. The first element of a comprehensive strategy is the electric utility's plan to
27 implement DSM programs, which based upon the utility's demand-side market potential

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1 study and the utility's Chapter 22 compliance filing, can be expected to achieve a statutory
2 goal of achieving all cost-effective demand-side savings. The second element of a
3 comprehensive strategy is the Commission-approved DSIM to properly provide the necessary
4 financial incentives for the utility to pursue a statutory goal of achieving all cost-effective
5 demand-side savings. The utility's Commission-approved DSIM may have any or all of the
6 following components: a) cost recovery component, b) utility lost revenue component, and c)
7 utility incentive component.

8 Ameren Missouri has not requested approval of DSM programs to achieve a statutory
9 goal of achieving all cost-effective demand-side savings and Ameren Missouri's proposed
10 change to its DSM cost recovery mechanism and its proposed FCRM do not constitute a
11 proper and comprehensive DSIM. Therefore, Ameren Missouri's proposal in this case does
12 not represent a comprehensive strategy to align its financial incentives with helping its
13 customers use energy more efficiently under MEEIA rules or under MEEIA legislation.

14 **Response to MIEC Testimony**

15 Q. Please respond to the direct testimony of Mr. Brosch in this case.

16 A. Staff is in overall agreement with Mr. Brosch's direct testimony regarding his
17 analysis of Ameren Missouri's request for approval of its FCRM and his recommendation that
18 the FCRM not be approved. In particular, Staff expresses its agreement with the direct
19 testimony of Mr. Brosch on page 35, line 13 through page 36, line 2:

20 Q. What is MIEC's position with regard to the proposed FCRM?
21

22 A. The Commission has engaged in a rulemaking process in Case No.
23 EX-2010-0368 ("rulemaking") in which a Demand-Side Programs
24 Investment Mechanism ("DSIM") is under consideration that would
25 provide for recovery of DSM program costs, while addressing other
26 issues including lost revenues due to DSM and consideration of utility
27 incentives based on the achieved performance level of approved DSM

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1 programs. The FCRM proposed by Ameren Missouri in this case
2 should not be approved at this time because of the concurrent analysis
3 of this issue by the Commission in the rulemaking proceeding. Any
4 Ameren Missouri rate mechanism to account for DSM lost revenues
5 should be considered by the Commission upon the conclusion of its
6 deliberations in Case No. EX-2010-0368, when a more complete record
7 regarding such matters exists.

8 Staff also agrees with the direct testimony of Mr. Brosch on page 37, line 8 through
9 page 38, line 6:

10 Q. Aside from the need to coordinate recovery of DSM lost margins
11 with the outcome of the rulemaking, are there obvious problems with
12 the proposed FCRM that support rejection of this proposal?
13

14 A. Yes. The most obvious problem is the lack of any test to ensure
15 that customers are not reimbursing the utility for lost revenues thought
16 to be caused by DSM in a period when total kWh sales have not
17 declined. It is quite possible that Ameren Missouri could experience
18 growing sales and revenues due to economic recovery or the addition of
19 new customers that more than offsets any sales reductions caused by
20 utility-sponsored DSM programs. The FCRM would ignore favorable
21 changes in sales volumes and associated fixed cost recovery, while
22 deferring for future recovery amounts deemed to be DSM-related lost
23 revenues. Another problem with the Company's proposal is its
24 dependence upon reasonable quantification of the actual, determinable
25 kWh impacts from commission approved DSM programs through
26 evaluation, measurement and verification reporting protocols that are
27 not yet available and are currently under development in the
28 rulemaking. Moreover, any "lost revenue" amounts deferred for future
29 recovery might reasonably be tied to Ameren Missouri's performance
30 relative to DSM program goals and objective, but the Company's
31 position on this issue is that, "AmerenUE should simply be made whole
32 for the reductions in fixed cost recovery created by the existence of its
33 energy efficiency programs, regardless of the performance of any
34 particular program."

35 **Staff Review of Residential Lighting and Appliance Program**

36 Q. Has Staff had an opportunity to review the EMV report for the L&A?

37 A. No. Through its response to Staff's data request MPSC 0405, Ameren
38 Missouri advises that all final EMV reports are due on March 31, 2011. Final reports will be
39 forwarded to Staff as soon as they are received.

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1 Q. Does Staff have a recommendation concerning the recovery of cost for the
2 L&A?

3 A. Staff recommends that the L&A expenses remain in the DSM regulatory asset
4 pending Staff's review of the EMV report for the L&A. Should Staff receive the EMV report
5 for the L&A as expected, Staff will review the EMV report and, depending on the results and
6 the evaluation techniques used by the EMV contractor, may recommend that some or all of
7 the L&A costs be included in the test year true-up revenue requirement for this case.

8 Q. Does this conclude your testimony at this time?

9 A. Yes.